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Circular Letter

TO: COUNTY SUPERINTENDENT OF SCHOOLS AND INDIVIDUAL
SCHOOL DISTRICTS

SUBJECT: PROPER REPORTING OF OVERTIME PAY RATES
FOR SCHOOL MEMBERS

California Public Employees' Retirement System (CalPERS) Government Code Section 20636.1 requires all services rendered up to 40 hours per week be reported for non-certificated school members. Government Code Section 20635.1 indicates that overtime compensation is excluded from reporting. Schools commonly have employees who have a regular work week that is less than 40 hours per week, and these employees are paid at a straight-time, hourly rate for those hours. For any services rendered in excess of their regular work week, they receive an overtime rate of pay. In order to comply with Government Code Section 20636.1, schools must report this employee to CalPERS for the hours worked over their normal work week, up to 40 hours per week. The work schedule code reported on the CalPERS payroll file for these employees must be 400 if they are reported with an hourly pay rate and 173 if they are reported with a monthly pay rate. Even though the member is being paid an overtime rate, any hours worked between the regular work week and 40 hours per week should be reported to CalPERS at the normal hourly rate that corresponds with the salary schedule for that classification. All earnings for services rendered in excess of 40 hours per week should not be reported to CalPERS.

Some schools are reporting the hours worked between the normal work week and 40 hours per week at the overtime rate of pay. These overtime rates **should not** be reported to CalPERS for non-certificated school employees in accordance with Government Code 20635.1. Improper reporting can cause an overpayment of retirement benefits. It can also inflate the cost to members who purchase certain types of service credit, such as Additional Retirement Service Credit (ARSC).

Examples of proper and improper reporting follow. These examples are for an employee being paid \$15 per hour for hours up to 35 hours per week (35 hours x 4 weeks = 140 hours). The employee is being paid \$22.50 per hour for hours from 36 to 40 per week (5 hours x 4 weeks = 20 hours). The \$22.50 per hour pay rate should not be reported to CalPERS. All pay rates and earnings should reflect the straight time rate of \$15 per hour. In the correct example below, reporting to CalPERS may be consolidated on one line reflecting a \$15 hourly pay rate and total earnings of \$2,400. Incorrect data is shaded.

Month	Pay Rate	Member Earnings
	Correct	
Sept (Reg hrs)	\$15.00	\$2,100.00
Sept (OT hrs)	\$15.00	\$300.00
	Incorrect	
Sept (Reg hrs)	\$15.00	\$2,100.00
Sept (OT hrs)	\$22.50	\$450.00
	Incorrect	
Sept (Reg hrs)	\$15.00	\$2,100.00
Sept (OT hrs)	\$15.00	\$450.00
	Incorrect	
Sept (Reg hrs)	\$15.00	\$2,100.00
Sept (OT hrs)	\$22.50	\$300.00

For employees who have worked a full school year and are now working during the summer, this is not considered overtime and they must be reported for all hours worked, up to 40 hours per week, even though they may already have earned a full year of service credit. The purpose of reporting the summer school is not necessarily to gain service credit, but rather to make certain a pay rate is reported in all 12 months and ensure the highest final compensation is earned by school members.

While CalPERS law has always supported these reporting requirements, this is a reminder of the proper reporting standards. CalPERS' Office of Audit Services will continue to review for these types of reporting errors. If you have any questions, please contact the CalPERS Employer Contact Center toll-free at (888) CalPERS (225-7377).



Lori McGartland, Acting Chief
Actuarial and Employer Services Division